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**UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION**

**COPY**

**ADMINISTRATIVE PROCEEDING  
File No. 3-17049**



**In the Matter of**

**RAHFCO MANAGEMENT  
GROUP, LLC**

**Respondent.**

**SUPPLEMENTAL REPLY IN  
SUPPORT OF MOTION FOR  
SUMMARY DISPOSITION  
PURSUANT TO RULE 250 OF THE  
COMMISSION RULES OF  
PRACTICE**

The Division of Enforcement hereby files its Supplemental Reply in Support of its Motion for Summary Disposition against Respondent RAHFCO Management Group, LLC (“RAHFCO”).

**I. INTRODUCTION.**

The Opposition filed on behalf of RAHFCO<sup>1</sup> does not address a single relevant point concerning the action against it. Instead, for twelve pages, Randal Hansen argues that he was wrongly convicted in the criminal prosecution against him and accuses numerous individuals of lying under oath during that criminal prosecution. This proceeding, however, does not provide an opportunity for Mr. Hansen to contest his conviction. As a result, RAHFCO’s Opposition does not create any genuine issue of material fact, and, accordingly, bars should be entered against it.

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<sup>1</sup> The Division did not receive any email from Randal Hansen concerning the Division’s Motion or RAHFCO’s Opposition. In fact, the Division reached out to Randal Hansen’s case manager on July 25, 2016 to ask if a response had been mailed and received no response.

## **II. STANDARD FOR SUMMARY DISPOSITION.**

Summary disposition is appropriate in “follow-on” proceedings - administrative proceedings instituted following a conviction or entry of an injunction - where the only real issue involves the determination of the appropriate sanction. See *Mitchell M. Maynard*, Advisers Act Release No. 2875, 2009 SEC LEXIS 1621, at \*27 (May 15, 2009); *Jeffrey L. Gibson*, Exchange Act Rel. No. 57266, 2008 SEC LEXIS 236, at \*19-20 & nn.21-24 (Feb. 4, 2008). Under Commission precedent, the circumstances in which summary disposition in a follow-on proceeding involving fraud is not appropriate “will be rare.” *John S. Brownson*, Exchange Act Release No. 46161, 2002 SEC LEXIS 3414, at \*9 n.12 (July 3, 2002), pet. denied, 66 F. App'x 687 (9th Cir. 2003). Moreover, in order “to survive a motion for summary disposition, the non-moving party must do more than ‘simply show that there is some metaphysical doubt as to the material facts.’” *Gary M. Kornman*, Exchange Act Release No. 59403, 2009 SEC LEXIS 367, at \*21 n.24 (Feb. 13, 2009) (quoting *Jeffrey L. Gibson*, 2008 SEC LEXIS 236, \*22 n.26). Rather, the nonmoving party “must present specific facts showing a genuine issue of material fact for resolution at a hearing.” *Daniel Imperato*, Exchange Act Release No. 74596, 2015 SEC LEXIS 1377, at \*23 (Mar. 27, 2015).

Because RAHFCO has failed to present any facts showing a genuine issue of material fact for resolution at a hearing, summary disposition should be granted against it.

## **III. IT IS UNDISPUTED THAT RAHFCO HAS BEEN ENJOINED.**

RAHFCO does not deny that it was enjoined in *SEC v. Randal Kent Hansen, et al.*, Civil Action Number 13-cv-1403-VSB, in the United States District Court for the Southern District of New York. See RAHFCO Opposition.

**IV. IT IS UNDISPUTED THAT RAHFCO WAS ASSOCIATED WITH A BROKER-DEALER AND ACTED AS AN INVESTMENT ADVISER AT THE TIME OF ITS MISCONDUCT.**

RAHFCO does not deny that it was associated with a broker-dealer and acted as an investment adviser at the time of its misconduct. *See* RAHFCO Opposition.

**V. IT IS UNDISPUTED THAT BARS ARE IN THE PUBLIC INTEREST.**

In its Motion for Summary Disposition, the Division set forth the factors to be considered when determining whether sanctions are in the public interest and explained how those factors demonstrate that bars against RAHFCO are in the public interest. *See* Division's Motion at pp. 10 – 13. In its Opposition, RAHFCO did not address a single one of the public interest factors that are to be considered. *See* RAHFCO Opposition.

Although, RAHFCO did not address the public interest factors to be considered, two of the public interest factors are directly implicated in RAHFCO's Opposition - the respondent's recognition of the wrongful nature of his or her conduct and the sincerity of the respondent's assurances against future violations. *See Vladimir Boris Bugarski*, Exchange Act Release No. 66842, 2012 WL 1377357 at \* 4 & n. 18 (Apr. 20, 2012) (citing *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd* on other grounds, 450 U.S. 91 (1981)). Mr. Hansen, speaking on behalf of RAHFCO, continues to fail to recognize the wrongful nature of his, and RAHFCO's, conduct, despite the fact that he was criminally convicted for that conduct. *See* RAHFCO Opposition. In addition, there are no assurances, sincere or otherwise, that Mr. Hansen, or RAHFCO, has "learned the lesson" and will not engage in future violations. *Id.*

**A. It Is Undisputed That The Conduct Of Mr. Hansen Is Attributable To RAHFCO.**

RAHFCO does not deny that Mr. Hansen was its agent, that Mr. Hansen dominated and controlled it, or that Mr. Hansen's conduct should be attributed to it. *See* RAHFCO Opposition. In fact, RAHFCO acknowledges that Mr. Hansen was the owner of RAHFCO and that the name

RAHFCO stands for “Randy’s Hedge Fund.” See RAHFCO Opposition at p. 2. In addition, while RAHFCO avers that Mr. Hansen instructed his attorney to transfer half of RAHFCO to Anthony Johnson, there is no evidence that such a transfer occurred and, if it did occur, it is undisputed that no such transfer was disclosed to investors. See Motion at p. 5, Opposition. Moreover, RAHFCO accuses Mr. Johnson of numerous fraudulent acts. See, e.g., Opposition at pp. 3, 5, 6. As a result, if Mr. Johnson was a second control person of RAHFCO, his fraudulent conduct should also be attributed to RAHFCO. See *Rochez Brothers, Inc. v. Rhoades*, 527 F.2d 880, 884 (3d Cir.1975).

**B. It Is Undisputed That Mr. Hansen Was Convicted.**

RAHFCO does not dispute that Mr. Hansen was convicted of mail and wire fraud in *United States v. Randal Kent Hansen*, Case No. 4:13CR40053-1, after a jury trial before the United States District Court for the District of South Dakota. See RAHFCO Opposition.

Instead, RAHFCO appears to argue that Mr. Hansen was wrongly convicted. *Id.* Such an argument is improper. RAHFCO may not relitigate Mr. Hansen’s criminal conviction in this proceeding. See *Eric S. Butler*, Exchange Act Release No. 65204, 2011 WL 3792730, at \*5 (Aug. 26, 2011) (follow-on proceedings are not an appropriate forum to “revisit the factual basis for, or legal defenses to, a conviction.”). RAHFCO could, in theory, “introduce evidence regarding the circumstances surrounding the conduct that forms the basis of the underlying proceeding as a means of addressing whether sanctions should be imposed in the public interest.” See *Gary L. McDuff*, Exchange Act Release No. 78066 (June 14, 2016). RAHFCO has not done so, however. It has introduced no evidence that the witnesses in the criminal proceeding against Mr. Hansen, who were cross-examined by Mr. Hansen’s counsel, were, in fact, lying. See RAHFCO Opposition. In fact, it has introduced no evidence at all, other than the unsupported assertions of Mr. Hansen. *Id.* Finally, RAHFCO has made no argument at all

that addresses whether sanctions should be imposed in the public interest, and has certainly not made any argument concerning how the circumstances surrounding the conduct that forms the basis of the underlying proceedings relate to whether sanctions are in the public interest. *Id.* Instead, RAHFCO's statements are nothing but a collateral attack on Mr. Hansen's conviction and are, thus, improper. *See Siris v. SEC*, 773 F.3d 89, 96 (D.C. Cir. 2014) (The limitation on relitigating the underlying district court decision includes a prohibition against introducing "purported mitigation evidence that, in reality, constitute[s] a collateral attack on the [underlying] judgment.").

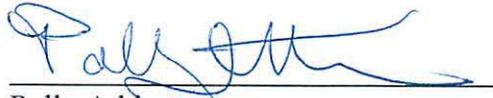
**C. It Is Undisputed That There Is A High Likelihood That RAHFCO Will Engage In Future Violations**

In its Opposition RAHFCO does not address the Division's argument that there is a high likelihood that RAHFCO will engage in future violations. *See* RAHFCO Opposition. RAHFCO provided no evidence concerning its corporate status and, in fact, its continued participation in this proceeding demonstrates that, whatever its status with the State of Delaware, it continues to exist as an entity and that Mr. Hansen continues to act on behalf of that entity. In its reply, the Division set forth factual and legal reasons why RAHFCO's status with the State of Delaware is not determinative of its opportunity to commit future violations. Those reasons, together with RAHFCO's failure to assure against future violations, or acknowledge any wrongdoing, clearly demonstrate that the likelihood that RAHFCO will engage in future violations is substantial.

**VI. CONCLUSION**

For the foregoing reasons, the Division requests that collateral bars be entered against RAHFCO under Exchange Act Section 15(b) and Advisers Act Section 203(e) barring it from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Respectfully submitted this 3<sup>rd</sup> day of August, 2016.



Polly Atkinson  
Division of Enforcement  
Securities and Exchange Commission  
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SERVICE LIST

On August 3, 2016, the foregoing **SUPPLEMENTAL REPLY IN SUPPORT OF MOTION FOR SUMMARY DISPOSITION PURSUANT TO RULE 250 OF THE COMMISSION RULES OF PRACTICE** was sent to the following parties and other persons entitled to notice:

Office of the Secretary  
Brent Fields, Secretary  
Securities and Exchange Commission  
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(By Facsimile and original and three copies by UPS)

Honorable Carol Fox Foelak  
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